



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Mine file
M/053/005

May 14, 1998

TO: Douglas G. Richins, Director
Division of Purchasing

FROM: Mary Ann Wright, Associate Director, Mining
Division of Oil, Gas and Mining

RE: Emergency Purchase Request to Contract with USMX of Utah, Inc., (Dakota Mining Corporation), Goldstrike Mine, M/053/005, Washington County, Utah

The USMX (Dakota Mining Corporation) Goldstrike Mine is a gold mine in Washington County which has been extracting gold by heap leach methods using cyanide solutions for a number of years and is now in the last phase of reclamation. The heap leach pads are in the final stages of rinsing for closure. The Division (DOGM) holds a reclamation bond for final closure of this site. In a normal situation, the company performs the reclamation work and upon satisfactory completion of the work, the Division releases the bond.

The mining company, our permittee USMX (Dakota Mining), has alerted us quietly that their company is on the brink of bankruptcy. Our own investigation confirms this as well. Once the company officially reaches the bankruptcy stage, the Division has difficulty obtaining the reclamation bond money. Our experience is that we are lined up with other unsecured creditors with the bankruptcy court eagerly eyeing the reclamation bond to satisfy other debts.

Realizing this dire situation, and having met several times with the company and Water Quality Division Director, Don Ostler, and his hydrologists, our Director, Lowell Braxton, signed an Emergency Order last week (attached to this request). This Order allows DOGM to accomplish bond forfeiture of the approximately \$998,500 existing in several surety forms. Our ultimate goal in this action is to keep the pumps running and maintain stability of the water control system and to complete the final reclamation at the site. The nature of the emergency issue is in regard to the immediate threat to the public health, safety and welfare by jeopardizing downstream irrigation and drinking water resources. At this point it is imperative to keep the diesel generators and water pumps running and to finish grading and capping the cyanide heaps to impede further water flow. This, in our assessment and that of the Division of Water Quality, should avoid the strong potential for contaminating the existing groundwater regime and the flow of such contamination toward downstream water users. In the past, concern about this operation has been expressed by water users as far away as Las Vegas.

It is our goal in this emergency situation to contract with USMX (Dakota) to complete the work. This will continue the very small labor and engineering force at the site which is monitoring the water, performing the pumping, managing the grading, and in general completing the final strategic

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phase of mine site reclamation. We anticipate that the closure and reclamation work will be completed by the end of October. It is for this purpose that we request an emergency purchase with USMX (Dakota) to complete work at this site using the forfeited bond money. We believe that for the public trust in DOGM, and in the best interests of this state and the state of Nevada we must move forward immediately with this work.

If you require further information, I am at your service to answer questions at 538-5306. You may also contact Mr. Larry Gore of the BLM, which is the principal land owner of this site and cooperator in this action, at (435) 688-3205; Mr. Don Ostler, DWQ Director, at 538-6047; or our assistant Attorney General, Mr. Dan Moquin, at 538-5342. Thank you for consideration of this emergency request.

vb

cc: H. Rigtrup
L. Braxton
C. Roberts

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